October 26, 2026 09:00 PM GMT

Yageo Corp. | Asia Pacific

3Q preview – margin upside; MLCC tightening thesis intact

3Q revenue exceeded guidance, and we expect OpM of 29.1%, 140bps above the Street. Robust AI and general server demand, together with pricing, should offset consumer softness, supporting 4Q revenue and margin guidance of "up slightly q/q." Stay OW; price target unchanged.

Key Takeaways

- 3Q margins should beat consensus: we forecast GM of 40.4% and OpM of 29.1%, 50bps and 140bps above the Street, and EPS of NT$5.63, 6% above consensus.
- Expect 4Q revenue, GM, and OpM guidance "up slightly q/q."

3Q preview – better than guidance, driven by stronger volumes and pricing: Unaudited revenue reached ~NT$49.5bn (+11% q/q, +50% y/y), stronger than management's guidance of a "moderate increase q/q" (which we interpret as mid- to high-single-digit growth). We did highlight in our results takeaway report (link) that there was no pushback from management when we asked whether the guidance was on the conservative side. We think some conservatism was baked into the guidance in view of uncertainties and limited visibility into the consumer segment. As a result of the stronger top line, we now expect GM to surpass 40%, reaching 40.4% (+190bps q/q, +420bps y/y), and for OpM to increase to 29.1% (+270bps q/q, +620bps y/y). This is still considered in line with management's margin guidance of up "slightly" q/q (which we interpret as 0-3% sequential growth). With the slightly stronger top line and margin forecast, we now estimate 3Q net profit to come in at ~NT$11.6bn (+23% q/q, +82% y/y) for EPS of NT$5.63.

4Q outlook – pricing and AI demand should continue to drive revenue growth and margin expansion: Consumer demand is likely going to weaken in 4Q, based on our supply chain checks, as well as PC demand coming in weaker than expected in 3Q, per IDC. However, AI and general server demand should remain robust, and Yageo should continue to see strong momentum for non-consumer related passive component demand. As a result, we see management issuing 4Q revenue guidance of "up slightly q/q" and GM/OpM guidance of "up slightly q/q".

Key issues on which we will focus in the earnings call: 1) demand visibility for non-AI; 2) pricing actions for MLCC in 1Q, 3) pricing actions for tantalum, resistors, magnetics, etc., 4) customer inventory levels for consumer, 5) thoughts on the TDK/Taiyo Yuden MOU, 6) view on midrange/low-end capacity shortage in CY27.

Reiterate OW with price target at NT$1,050: This implies ~24x CY28e P/E; however, PEG is only 0.72x. We favor Yageo for its scale, broad product portfolio across all passive components, and leverage to an improving industry cycle.

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Yageo Corp. (2327.TW, 2327 TT)

Greater China Technology Hardware | Taiwan

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	NT$1,050.00
Up/downside to price target (%)	107
Shr price, close (Oct 22, 2026)	NT$507.00
52-Week Range	NT$1,220.00-207.00
Sh out, dil, curr (mn)	1,997
Mkt cap, curr (mn)	NT$1,012,410
EV, curr (mn)	NT$1,029,149
Avg daily trading value (mn)	NT$20,946

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (NT$)**	11.51	20.14	32.48	43.39
Prior EPS (NT$)**	-	19.79	32.11	43.41
EPS (NT$)§	11.61	19.59	31.62	45.58
Revenue, net (NT$ mn)	132,930	183,232	253,608	308,798
EBITDA (NT$ mn)	39,635	60,485	94,316	123,250
ModelWare net inc (NT $ mn)	23,634	41,360	66,698	89,119
P/E	20.1	25.2	15.6	11.7
P/BV	2.7	4.8	4.0	3.4
RNOA (%)	12.0	20.9	35.6	49.2
ROE (%)	14.5	23.8	30.6	34.4
EV/EBITDA	12.4	16.4	10.0	7.3
Div yld (%)	2.2	1.2	2.4	3.8
FCF yld ratio (%)**	6.6	4.6	6.9	8.7
Leverage (EOP) (%)	9.6	(15.6)	(31.0)	(42.2)

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

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For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

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AlphaSignals Earnings Preview

Focus KPI	Focus KPI Surprise	Likely impact to consensus EPS*
Yageo Corp. 2327.TW		
3Q OpM	↑ Very likely upside surprise	↑ Modest revision higher

• We are 140bps above the Street on 3Q OpM (MSe at 29.1% vs the Street at 27.7%)

*Likely impact to consensus EPS is for the next 12 months
Source: Company data, Morgan Stanley Research

3Q26 Results Preview

Exhibit 1: 3Q26 Results Preview

	Results				
NT$mn	**Actual**	**QoQ**	**YoY**	**Cons**	**Variance**
Net sales	**49,532**	**11%**	**50%**	**48,560**	**2%**
COGS	-29,519	8%	40%	-29,191	1%
Gross profit	**20,012**	**17%**	**67%**	**19,369**	**3%**
Operating expenses	-5,604	4%	27%	-5,910	-5%
Operating income	**14,408**	**23%**	**91%**	**13,459**	**7%**
Non-operating income	468	-1%	-28%	629	-26%
Pre-tax income	**14,876**	**22%**	**81%**	**14,088**	**6%**
Income tax	-3,273	18%	80%	-3,160	4%
Net income	**11,565**	**23%**	**82%**	**10,928**	**6%**
EPS (NT$)	**5.63**	**23%**	**82%**	**5.32**	**6%**
Margins (%)		***ppt***	***ppt***		***ppt***
Gross margin	40.4%	1.9	4.2	39.9%	0.5
Operating margin	29.1%	2.7	6.2	27.7%	1.4
Pre-tax margin	30.0%	2.5	5.2	29.0%	1.0
Net margin	23.3%	2.2	4.1	22.5%	0.8

Source: Visible Alpha, Morgan Stanley Research estimates (E).

Details for Yageo's 3Q26 Earnings Virtual NDR Conference Call

Pre-registration is required.

Date and time: October 29, Thursday, 4.00 PM Taiwan / HK / China / Singapore

Speakers: Mr. David Wang (President & CEO), Mr. Eddie Chen (Co-COO), Mr. Claudio Lollini (Co-COO), Mr. Gavin Zhong (CFO)

Webcast URL: https://morganstanley.webcasts.com/starthere.jsp?ei=1779480&tp_key=60a78fb2bd

Webcast URL for PRC: https://morganstanley.cnwebcasts.cn/starthere.jsp?ei=1779480&tp_key=60a78fb2bd

Click the webcast link and enter your name and e-mail address. If you have pre-registered, simply log-in again with your registered e-mail address five minutes before the start time.

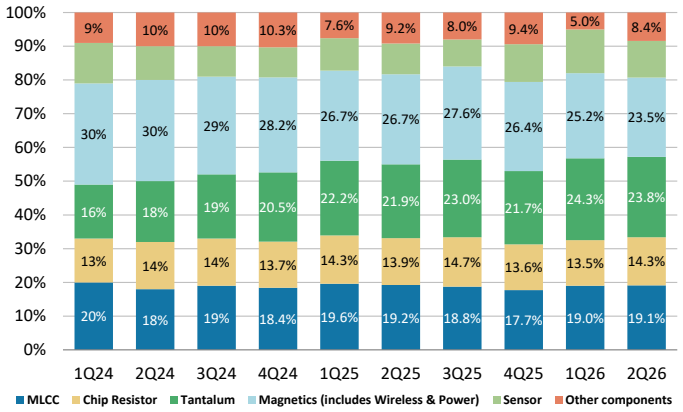
Replay will be available through the same webcast link post-event.

Only pre-registered clients will be allowed to join the webcast.

RSVP – Please register via the webcast links above or contact your Morgan Stanley Sales Representative.

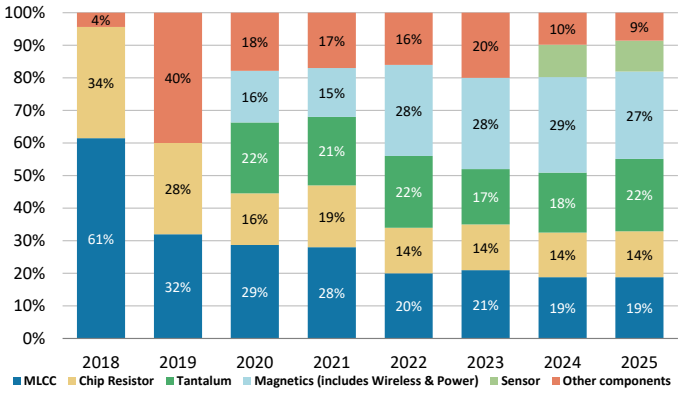
Charts

Exhibit 2: Quarterly Sales, by Product, 1Q24-2Q26



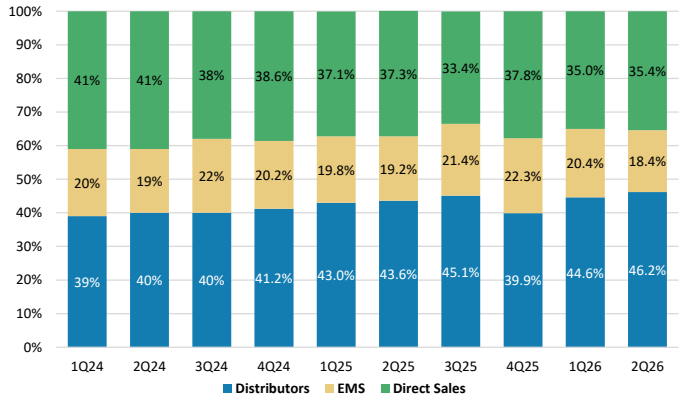
Source: Company data, Morgan Stanley Research

Exhibit 3: Annual Sales, by Product, 2018-25



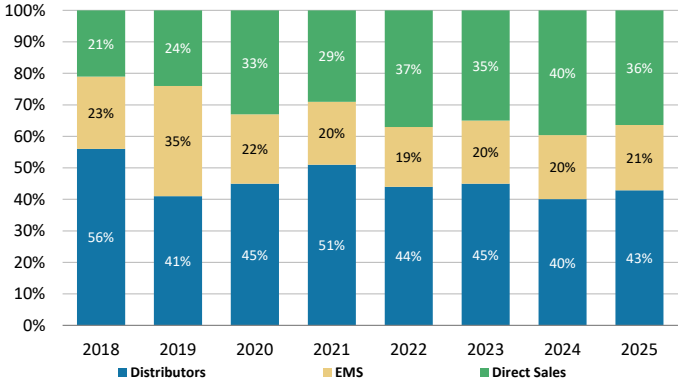
Source: Company data, Morgan Stanley Research

Exhibit 4: Quarterly Sales, by Channel, 1Q24-2Q26



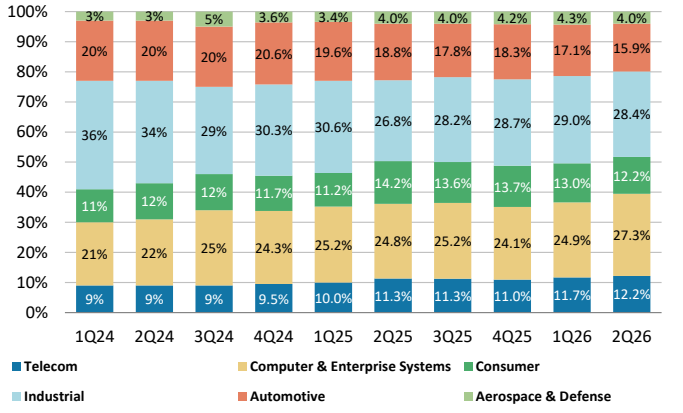
Source: Company data, Morgan Stanley Research

Exhibit 5: Annual Sales, by Channel, 2018-25



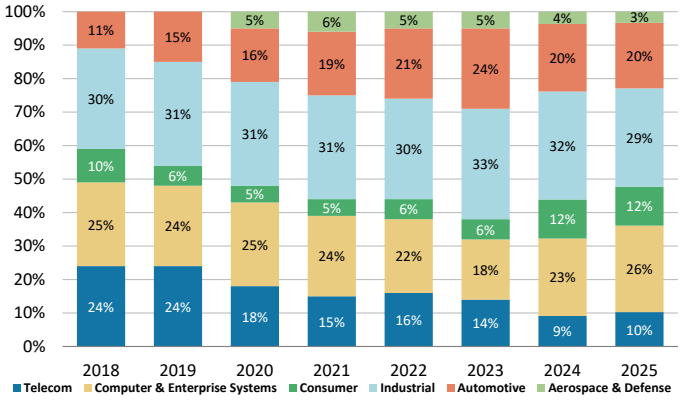
Source: Company data, Morgan Stanley Research

Exhibit 6: Quarterly Sales, by Segment, 1Q24-2Q26



Source: Company data, Morgan Stanley Research

Exhibit 7: Annual Sales, by Segment, 2018-25



Source: Company data, Morgan Stanley Research

Earnings Estimates Changes

We fine-tune our model, resulting in very slight decreases in our CY26-28 EPS estimates.

Exhibit 8: Earnings Estimates

	2026e Earnings Estimates			2027e Earnings Estimates			2028e Earnings Estimates		
NT$ mn	New	Old	Variance	New	Old	Variance	New	Old	Variance
Net sales	**183,232**	**182,769**	**0%**	**253,608**	**251,501**	**1%**	**308,798**	**306,659**	**1%**
COGS	-110,622	-110,968	0%	-142,807	-142,878	0%	-164,980	-165,373	0%
Gross profit	**72,610**	**71,801**	**1%**	**110,802**	**108,623**	**2%**	**143,818**	**141,286**	**2%**
Operating expenses	-21,595	-21,691	0%	-25,648	-24,729	4%	-29,432	-27,229	8%
Operating income	51,015	50,110	2%	85,153	83,894	2%	114,386	114,057	0%
Non-operating income	2,121	2,121	0%	1,809	1,809	0%	1,828	1,828	0%
Pre-tax income	53,136	52,231	2%	86,962	85,703	1%	116,214	115,885	0%
Income tax	-11,626	-11,428	2%	-20,112	-19,614	3%	-26,943	-26,581	1%
Net income	**41,360**	**40,652**	**2%**	**66,698**	**65,937**	**1%**	**89,119**	**89,152**	**0%**
EPS (NT$)	**20.14**	**19.79**	**2%**	**32.48**	**32.11**	**1%**	**43.39**	**43.41**	**0%**
Margins (%)			***ppt***			***ppt***			***ppt***
Gross margin	39.6%	39.3%	0.3	43.7%	43.2%	0.5	46.6%	46.1%	0.5
Operating margin	27.8%	27.4%	0.4	33.6%	33.4%	0.2	37.0%	37.2%	-0.2
Pre-tax margin	29.0%	28.6%	0.4	34.3%	34.1%	0.2	37.6%	37.8%	-0.2
Net margin	22.6%	22.2%	0.3	26.3%	26.2%	0.1	28.9%	29.1%	-0.2

Source: Morgan Stanley Research (e) estimates

Where we are vs. consensus earnings estimates

Exhibit 9: Morgan Stanley estimates vs. consensus

Yageo	MSe			Consensus			Variance		
	2026	2027	2028	2026	2027	2028	2026	2027	2028
Revenue	183,232	253,608	308,798	182,681	247,057	305,340	0%	3%	1%
GM	39.6%	43.7%	46.6%	39.5%	44.9%	49.0%	0.1%	-1.2%	-2.4%
OpM	27.8%	33.6%	37.0%	27.3%	33.9%	38.3%	0.5%	-0.3%	-1.3%
Net income	41,360	66,698	89,119	40,429	67,010	93,576	2%	0%	-5%
EPS	20.14	32.48	43.39	19.69	32.63	45.56	2%	0%	-5%

Source: Visible Alpha, Morgan Stanley Research estimates.

Price target discussion and valuation methodology

Our 12-month price target is unchanged at NT$1,050: Our price target is our base case value, derived from our residual income valuation model. Similar to our analysis of other tech hardware companies within our coverage, we think this methodology provides the most accurate value of the firm by taking into account the cost of equity.

Our key assumptions are all unchanged, including:

- Cost of equity of 7.8%
  - Risk-free rate of 1.0% (10-year Taiwanese government bond yield)
  - Equity risk premium of 6.8%
  - Beta of 1.1
- Medium-term growth rate of 12%
- Terminal growth rate of 3%

Our price target implies 32x 2027e P/E and 24x 2028e P/E. These are above its five-year historical range of 8x to 18x, which we view as justified considering its longer-term transformation story to become a global total solutions provider, moving from passive into active components. In addition, compared to global passive component peers, we believe Yageo stock remains undervalued with higher ROE and margins but lower P/E vs. Japanese peers (which trade on an average at 30x+ P/E).

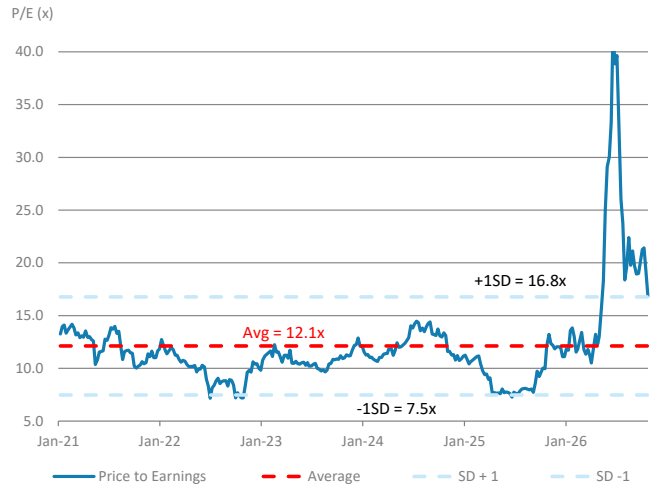
Our bull and bear case scenario values are also unchanged at NT$1,490 and NT$480, respectively.

Exhibit 10: Residual Income (RI) Model

		2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Total Equity		**217,869**	**258,924**	**307,178**	**353,520**	**405,423**	**463,555**	**528,662**	**601,582**	**683,252**	**774,723**	**859,439**
Net Profit		**41,360**	**66,698**	**89,119**	**99,814**	**111,791**	**125,206**	**140,231**	**157,059**	**175,906**	**197,014**	**202,925**
Return on Equity		**21.1%**	**28.0%**	**31.5%**	**30.2%**	**29.5%**	**28.8%**	**28.3%**	**27.8%**	**27.4%**	**27.0%**	**24.8%**
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Equity Risk Premium (Rm-Rf)	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
Risk Free Rate (Rf)	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Cost of Equity	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Residual Income		**23,227**	**44,048**	**61,430**	**68,975**	**76,713**	**85,369**	**95,057**	**105,901**	**118,041**	**131,634**	**132,286**
Spread		**13.3%**	**20.2%**	**23.7%**	**22.5%**	**21.7%**	**21.1%**	**20.5%**	**20.0%**	**19.6%**	**19.3%**	**17.1%**
Beginning Equity Capital		217,869										
PV of Forecast Period		582,763										
PV of Continuing Value		1,355,719										
Equity Value		**2,156,351**										
No. of Shares		2,054										
Projected Price		**1,050.0**										
Implied 2027e PE		32x										
Implied 2028e PE		24x										

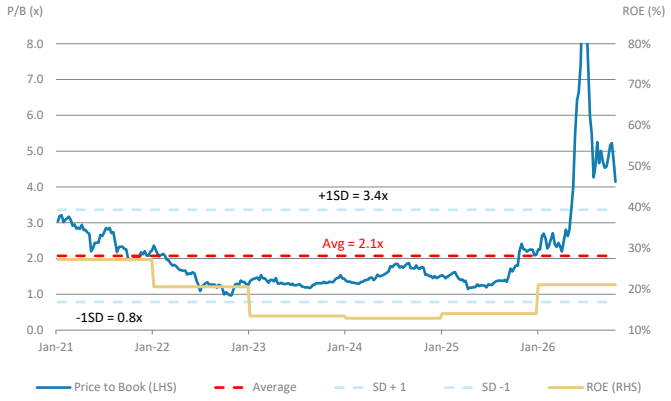
Source: Morgan Stanley Research (E) estimates.

Exhibit 11: Yageo – P/E



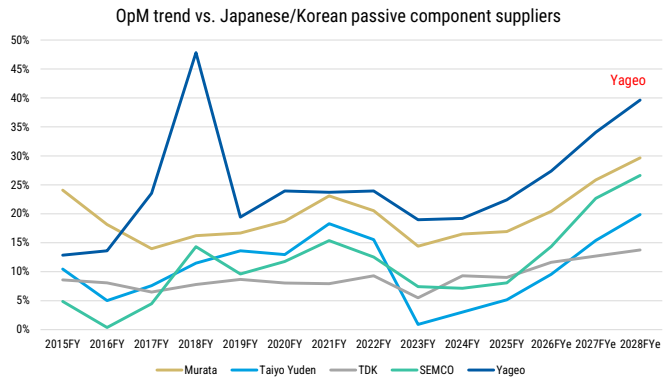
Source: TEJ, Morgan Stanley Research.

Exhibit 12: Yageo – P/B



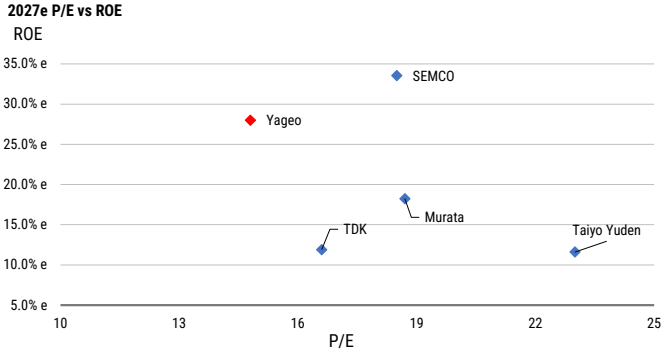
Source: TEJ, Morgan Stanley Research.

Exhibit 13: MLCC peers – operating margins



Source: Visible Alpha.

Exhibit 14: 2027e P/E vs. ROE



Source: Morgan Stanley Research estimates.

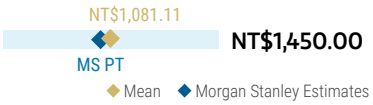
Risk Reward – Yageo Corp. (2327.TW)

Demand looks stronger and price increases appear likely - stay OW

PRICE TARGET NT$1,050.00

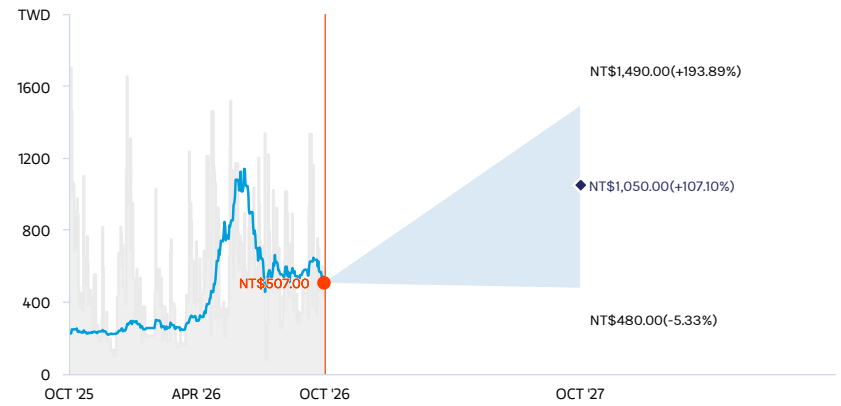
Base case, multistage residual income valuation model. Key assumptions: cost of equity 7.8% (risk-free rate 1%, equity risk premium 6.8% and beta of 1.1), medium-term growth rate 12%, terminal growth rate 3%.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART

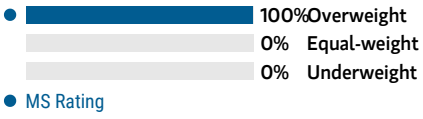


Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

- There is fear that leading Japanese and Korean MLCC suppliers are shifting more capacity to cater to the high end, resulting in undersupply for the midrange/low end.
- The same narrative that drove the 2018 cycle is now back in play.
- Utilization rates are increasing, so suppliers are expecting price hikes for the midrange/low end. Distributors and ODMs are both building inventory.
- AI demand is growing and tantalum capacitor pricing may show further price increases in 2H.
- All of this should help support a re-rating in the stock.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Electric Vehicles:	*Positive*
Self-help:	*Positive*
Special Situation:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE NT$1,490.00

34x 2028e EPS

Demand continues to grow faster than expected in 2027-28: 1) Demand improves significantly, driving pricing power for Yageo in premium and standard products alike. 2) Yageo makes meaningful progress into AI, driving significant share gains. 3) Yageo takes on more acquisition initiatives to further widen its product portfolio. 4) Severe undersupply leads to continued price hikes for an extended period of time, which helps expand Yageo's margins in 2027-28.

BASE CASE NT$1,050.00

24x 2028e EPS

Demand remains strong into 2027-28: 1) Utilization remains high for premium products. 2) Utilization for standard products stabilizes at 70%+ with resilient consumer tech demand. 3) Transformation and synergies are ongoing with continued active initiatives. 4) Yageo continues to drive expansion into the AI realm and slowly gains market share. 5) High utilization rates and inflationary raw material costs result in continued price hikes.

BEAR CASE NT$480.00

11x 2028e EPS

Earnings erode as macro conditions weaken and demand falls again in 2027-28: 1) Non-AI demand weakens from 2H26 onward, despite AI demand remaining strong. 2) Pricing power shifts to end customers with heightened competition among peers. 3) Acquisitions do not bear fruit, resulting in layoffs and leading to cost burdens. 4) Automotive and industrial end demand does not recover, hampering Yageo's premium business. 5) Yageo does not make any material advancements into AI.

Risk Reward – Yageo Corp. (2327.TW)

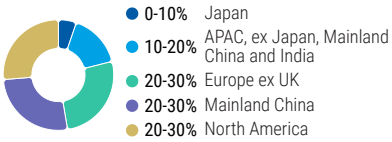
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
MLCC ASP y/y (%)	0.6	23.9	65.9	14.9
MLCC GM (%)	31.7	36.5	43.6	47.2
r-chip ASP y/y (%)	0.8	11.4	46.0	27.3
r-chip GM (%)	43.4	46.3	51.7	54.8

INVESTMENT DRIVERS

- Transformation into global total solutions service provider
- Premium/standard sales mix
- Utilization rates and capacity
- Inventory and pricing

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

2/5 MOST — 3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Faster-than-expected revenue/profit recognition from stronger AI server/notebook demand
- Further price hikes led by stronger pricing power arising from better demand and/or tighter supply

RISKS TO DOWNSIDE

- A sudden bursting of demand for AI
- Inventory risk
- Consumer electronics demand risk

OWNERSHIP POSITIONING

Inst. Owners, % Active 70.4%

Source: Refinitiv, Morgan Stanley Research

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e

Sales / Revenue (NT$, mn)	212,000	253,608 / 243,479	266,774
EBITDA (NT$, mn)	72,235	94,316 / 91,906	107,892
Net income (NT$, mn)	50,264	66,698 / 64,843	79,745
EPS (NT$)	24.48	32.48 / 31.62	38.84

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Financials

Exhibit 15: Quarterly Earnings Estimates

	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26E	4Q26E	2025	2026E	2027E	2028E
Net sales	**31,104**	**32,771**	**33,087**	**35,968**	**38,166**	**44,456**	**49,532**	**51,079**	**132,930**	**183,232**	**253,608**	**308,798**
COGS	(20,018)	(21,119)	(21,112)	(22,551)	(23,624)	(27,340)	(29,519)	(30,139)	(84,800)	(110,622)	(142,807)	(164,980)
Gross profit	**11,086**	**11,652**	**11,974**	**13,417**	**14,542**	**17,116**	**20,012**	**20,940**	**48,130**	**72,610**	**110,802**	**143,818**
Operating expenses	(4,623)	(4,609)	(4,412)	(4,685)	(4,929)	(5,368)	(5,604)	(5,694)	(18,329)	(21,595)	(25,648)	(29,432)
SG&A	(3,758)	(3,774)	(3,578)	(3,800)	(4,035)	(4,461)	(4,679)	(4,751)	(14,910)	(17,926)	(21,644)	(25,064)
R&D	(865)	(834)	(834)	(886)	(894)	(907)	(925)	(943)	(3,419)	(3,669)	(4,004)	(4,368)
Operating income	**6,463**	**7,044**	**7,562**	**8,732**	**9,613**	**11,749**	**14,408**	**15,246**	**29,801**	**51,015**	**85,153**	**114,386**
Non-operating income	**710**	**(15)**	**650**	**(26)**	**712**	**474**	**468**	**468**	**1,319**	**2,121**	**1,809**	**1,828**
Interest income	533	443	379	216	303	345	345	345	1,571	1,339	1,382	1,382
Investment income	117	24	144	195	181	202	222	222	480	827	827	846
Disposal of investment	100	0	0	0	7	0	0	0	100	7	0	0
Exchange gain	(148)	194	(110)	(677)	(139)	(194)	0	0	(742)	(333)	0	0
Other	108	(676)	237	241	359	121	(100)	(100)	(90)	280	(400)	(400)
Pre-tax income	**7,173**	**7,028**	**8,212**	**8,706**	**10,325**	**12,222**	**14,876**	**15,713**	**31,120**	**53,136**	**86,962**	**116,214**
Income tax	(1,610)	(2,016)	(1,817)	(1,900)	(2,287)	(2,766)	(3,273)	(3,300)	(7,343)	(11,626)	(20,112)	(26,943)
Minority interest	33	14	39	56	37	38	38	38	143	151	152	152
Net income	**5,530**	**4,998**	**6,356**	**6,751**	**8,001**	**9,418**	**11,565**	**12,375**	**23,634**	**41,360**	**66,698**	**89,119**
Adj.wtd.avg.shrs (mn)	2,053	2,053	2,054	2,053	2,054	2,054	2,054	2,054	2,053	2,054	2,054	2,054
EPS	**2.69**	**2.43**	**3.10**	**3.29**	**3.90**	**4.59**	**5.63**	**6.03**	**11.51**	**20.14**	**32.48**	**43.39**
Fully Diluted shares (mn)	2,459	2,456	2,055	2,053	2,054	2,054	2,054	2,054	2,053	2,054	2,054	2,054
Diluted EPS (NT$)	**2.25**	**2.03**	**3.09**	**3.29**	**3.90**	**4.59**	**5.63**	**6.03**	**11.51**	**20.14**	**32.48**	**43.39**
Margins (%)												
Gross Margin	35.6	35.6	36.2	37.3	38.1	38.5	40.4	41.0	36.2	39.6	43.7	46.6
Operating Margin	20.8	21.5	22.9	24.3	25.2	26.4	29.1	29.8	22.4	27.8	33.6	37.0
Pretax Margin	23.1	21.4	24.8	24.2	27.1	27.5	30.0	30.8	23.4	29.0	34.3	37.6
Net Margin	17.8	15.3	19.2	18.8	21.0	21.2	23.3	24.2	17.8	22.6	26.3	28.9
QoQ Growth (%)												
Sales	4	5	1	9	6	16	11	3				
Gross Profit	11	5	3	12	8	18	17	5				
Operating Profit	20	9	7	15	10	22	23	6				
Pretax Profit	15	-2	17	6	19	18	22	6				
Net Profit	49	-10	27	6	19	18	23	7				
YoY Growth (%)												
Sales	9	4	4	20	23	36	50	42	9	38	38	22
Gross Profit	15	6	7	35	31	47	67	56	15	51	53	30
Operating Profit	31	9	14	63	49	67	91	75	27	71	67	34
Pretax Profit	18	-5	15	39	44	74	81	80	16	71	64	34
Net Profit	21	-8	13	82	45	88	82	83	22	75	61	34

Source: Company data, Morgan Stanley Research (E) estimates.

Exhibit 16: Consolidated Financial Summary

Consolidated Income Statement

NT$mn (Year End Dec 31)	2025	2026E	2027E	2028E
Net sales	**132,930**	**183,232**	**253,608**	**308,798**
COGS	(84,800)	(110,622)	(142,807)	(164,980)
Gross profit	**48,130**	**72,610**	**110,802**	**143,818**
Operating expenses	(18,329)	(21,595)	(25,648)	(29,432)
Operating income	**29,801**	**51,015**	**85,153**	**114,386**
Non-operating income	**1,319**	**2,121**	**1,809**	**1,828**
Interest income	1,571	1,339	1,382	1,382
Investment income	480	827	827	846
Disposal of investment	100	7	-	-
Exchange gain	(742)	(333)	-	-
Other	(90)	280	(400)	(400)
Pre-tax income	**31,120**	**53,136**	**86,962**	**116,214**
Income tax	(7,343)	(11,626)	(20,112)	(26,943)
Minority interests	143	151	152	152
Net income	**23,634**	**41,360**	**66,698**	**89,119**
Adj. wtd. Avg. shrs (m)	2,053	2,054	2,054	2,054
Reported EPS (NT$)	**11.51**	**20.14**	**32.48**	**43.39**
Diluted shrs (m)	2,053	2,054	2,054	2,054
Diluted EPS (NT$)	**11.51**	**20.14**	**32.48**	**43.39**

Consolidated Cash Flow Statement

NT$mn (Year End Dec 31)	2025	2026E	2027E	2028E
Operating Cashflow	**30,863**	**46,038**	**65,817**	**86,898**
Net Profits	23,634	41,360	66,698	89,119
Depreciation & Amort.	9,834	9,469	9,163	8,864
Investment losses/(income)	(581)	(827)	(827)	(846)
Working capital change	(12,663)	(1,000)	(5,082)	(6,997)
Other adjustments	10,944	(2,956)	(4,135)	(3,243)
Investing Cashflow	**(3,725)**	**(7,355)**	**(7,107)**	**(6,912)**
Capex	(6,056)	(8,000)	(8,000)	(8,000)
Change of L/T investment	(4,146)	0	0	0
Change of S/T investment	817	0	0	0
Other adjustments	5,191	0	0	0
Financing Cashflow	**(3,135)**	**10,765**	**(13,574)**	**(31,418)**
Increase in L/T debt	(543)	(1,000)	(1,000)	(1,000)
Increase in S/T debt	7,613	0	0	0
Issuance of stock	0	15,337	0	0
Cash dividends	(10,265)	(12,322)	(24,816)	(40,019)
Other adjustments	61	8,751	12,243	9,601
FX adjustment	(3,647)	333	0	0
Net change in cash	**20,356**	**49,782**	**45,136**	**48,567**

Consolidated Balance Sheet

NT$mn (Year End Dec 31)	2025	2026E	2027E	2028E
Cash	**81,473**	**131,255**	**176,391**	**224,959**
Mkt securities	16,634	16,634	16,634	16,634
AR/NR	27,792	34,199	46,916	60,159
Inventory	31,636	41,419	52,715	59,512
Others	7,811	10,767	14,902	18,145
Current Assets	**165,346**	**234,274**	**307,559**	**379,409**
Long-term investments	45,572	45,572	45,572	45,572
Fixed assets	65,305	63,190	61,134	59,182
Other assets	114,566	114,566	114,566	114,566
Total Assets	**390,789**	**457,602**	**528,832**	**598,730**
S/T borrowings	86,196	86,196	86,196	86,196
AP/NP	18,031	23,522	30,366	35,080
Other ST liabilities	31,852	41,551	53,639	61,968
Total Current Liabilities	**136,079**	**151,269**	**170,201**	**183,244**
L/T debt	57,589	56,589	55,589	54,589
Other LT libilities	23,124	31,875	44,118	53,718
Total Liabilities	**216,793**	**239,733**	**269,908**	**291,551**
Common shares	5,182	20,519	20,519	20,519
Retained Earnings	104,669	133,205	174,260	222,514
Other SH' Equity	64,145	64,145	64,145	64,145
Total Shareholders' Equity	**173,997**	**217,869**	**258,924**	**307,178**
Total Liab./SH's Equity	**390,789**	**457,602**	**528,832**	**598,730**

Consolidated Financial Ratios

	2025	2026E	2027E	2028E
Margins (%)				
Gross margin	36.2	39.6	43.7	46.6
Operating margin	22.4	27.8	33.6	37.0
Pretax margin	23.4	29.0	34.3	37.6
Net margin	17.8	22.6	26.3	28.9
YoY growth (%)				
Sales	9.3	37.8	38.4	21.8
Operating profits	27.4	71.2	66.9	34.3
Pretax profits	15.8	70.7	63.7	33.6
Net profits	22.1	75.0	61.3	33.6
Others				
Cash dividend payout (%)	52%	60%	60%	60%
Cash div (NT$)	6.00	12.08	19.49	26.04
Yield (%)	1%	2%	4%	5%
Net Debt/Equity (%)	26%	-2%	-20%	-33%
Liabilities/Equity (%)	125%	110%	104%	95%
Liabilities/Assets (%)	55%	52%	51%	49%
ROAE (%)	14%	21%	28%	31%
ROAA (%)	6%	10%	14%	16%
AR/NR Turnover (days)	68	62	58	63
Inventory Turnover (days)	128	121	120	124
AP/NP Turnover (days)	71	69	69	72
Cash conversion cycle	125	114	110	115

Source: Company data, Morgan Stanley Research (E) estimates.

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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(as of September 30, 2026)
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Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 10/1/21 : E/I; 1/4/22 : O/I; 2/5/25 : NA/I; 10/28/25 : O/I

Price Target History: 7/27/21 : 182.18; 10/19/21 : 141.35; 1/4/22 : 188.46; 6/23/22 : 155.48; 8/12/22 : 144.49; 10/28/22 : 116.25; 11/10/22 : 123.75; 1/9/23 : 157.5; 4/12/23 : 158.75; 7/17/23 : 152.5; 7/26/23 : 151.25; 10/18/23 : 150; 11/23/23 : 160; 1/9/24 : 153.75; 3/1/24 : 146.25; 4/11/24 : 177.5; 7/23/24 : 178; 7/30/24 : 181.25; 8/15/24 : 151.75; 9/12/24 : 196.25; 10/21/24 : 193.75; 10/29/24 : 188.75; 2/5/25 : NA; 10/28/25 : 290; 10/31/25 : 293; 2/23/26 : 305; 2/26/26 : 325; 4/9/26 : 330; 4/15/26 : 360; 6/2/26 : 1010; 6/13/26 : 1355; 6/22/26 : 1515; 7/22/26 : 1465; 9/16/26 : 1050

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INDUSTRY COVERAGE: Greater China Technology Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/23/2026)
Andy Meng, CFA		
AAC Technologies Holdings (2018.HK)	O (01/29/2024)	HK$35.60
Accelink Technologies Co. Ltd. (002281.SZ)	U (05/12/2022)	Rmb128.63
BYD Electronics (0285.HK)	O (04/28/2023)	HK$22.46
China TransInfo Technology Co Ltd (002373.SZ)	E (07/18/2023)	Rmb7.84
Dahua Technology Co. Ltd. (002236.SZ)	E (12/12/2024)	Rmb15.11
Eoptolink Technology Inc Ltd (300502.SZ)	O (02/27/2026)	Rmb261.00
Genius Electronic Optical Co. Ltd. (3406.TW)	E (10/13/2026)	NT$1,160.00
GoerTek Inc (002241.SZ)	E (08/14/2026)	Rmb23.11
Gosuncn Technology Group Co Ltd (300098.SZ)	U (11/07/2022)	Rmb4.26
HIKVision Digital Technology (002415.SZ)	E (12/12/2024)	Rmb33.78
Largan Precision (3008.TW)	O (10/13/2026)	NT$6,175.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	U (06/12/2024)	Rmb5.82
Lingyi Itech Guangdong Co (002600.SZ)	U (04/23/2025)	Rmb11.55
Lingyi Itech Guangdong Co (1688.HK)	O (08/14/2026)	HK$4.92
Luxshare Precision Industry Co., Ltd. (2475.HK)	O (08/14/2026)	HK$50.00
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb50.42
OFILM Group Co Ltd (002456.SZ)	U (06/12/2024)	Rmb6.44
Q Technology (Group) Company Ltd (1478.HK)	U (03/23/2026)	HK$4.75
Quectel Wireless Solutions Co Ltd (603236.SS)	E (10/09/2024)	Rmb80.74
Shanghai Conant Optical Co Ltd (2276.HK)	O (04/10/2026)	HK$36.64
Shenzhen Transsion Holdings Co Ltd (688036.SS)	E (03/23/2026)	Rmb59.11
Sunny Optical (2382.HK)	E (03/23/2026)	HK$63.15
Suzhou TFC Optical Communication Co Ltd. (300394.SZ)	E (11/06/2025)	Rmb200.81

Wingtech Technology Co Ltd (600745.SS)	U (05/18/2026)	Rmb11.58
Xiaomi Corp (1810.HK)	O (04/14/2021)	HK$26.80
Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb322.75
Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	O (07/15/2026)	HK$112.20
Yongxin Optics Co Ltd (603297.SS)	E (11/15/2022)	Rmb97.14
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	O (11/15/2022)	Rmb22.84
Zhongji Innolight Co Ltd (300308.SZ)	O (09/07/2026)	Rmb612.63
Zhongji Innolight Co Ltd (3308.HK)	O (09/07/2026)	HK$754.50
ZTE Corporation (0763.HK)	O (06/04/2026)	HK$19.31
ZTE Corporation (000063.SZ)	E (06/04/2026)	Rmb28.16
Derrick Yang		
Accton Technology Corporation (2345.TW)	O (06/06/2024)	NT$1,775.00
Advantech (2395.TW)	O (01/20/2021)	NT$670.00
AirTAC International (1590.TW)	O (04/16/2025)	NT$1,100.00
Asia Vital Components Co. Ltd. (3017.TW)	O (07/30/2024)	NT$3,145.00
AU Optronics (2409.TW)	E (02/10/2026)	NT$35.40
Auras Technology Co Ltd (3324.TWO)	E (05/04/2023)	NT$1,360.00
Bizlink (3665.TW)	O (03/10/2025)	NT$1,875.00
BOE Technology (000725.SZ)	O (09/06/2019)	Rmb4.93
Chenbro (8210.TW)	O (07/23/2025)	NT$764.00
Chroma Ate Inc. (2360.TW)	O (10/05/2021)	NT$1,980.00
Delta Electronics Inc. (2308.TW)	O (07/13/2017)	NT$1,560.00
E Ink Holdings Inc. (8069.TWO)	E (08/10/2026)	NT$153.50
Ennostar Inc (3714.TW)	U (09/23/2022)	NT$61.70
Fositek Corp (6805.TW)	O (06/25/2025)	NT$2,335.00
Hiwin Technologies Corp. (2049.TW)	O (03/30/2026)	NT$299.00
Innolux (3481.TW)	E (04/07/2025)	NT$46.75
King Slide Works Co. Ltd. (2059.TW)	O (11/08/2023)	NT$9,755.00
Lens Technology (300433.SZ)	E (07/22/2020)	Rmb27.81
Lite-On Technology (2301.TW)	E (01/15/2025)	NT$255.50
TCL Corp. (000100.SZ)	E (04/07/2025)	Rmb4.47
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb5.98
Howard Kao		
Acer Inc. (2353.TW)	U (04/23/2025)	NT$32.45
Asustek Computer Inc. (2357.TW)	U (11/16/2025)	NT$946.00
Catcher Technology (2474.TW)	U (11/17/2025)	NT$196.50
Compal Electronics (2324.TW)	U (04/23/2025)	NT$37.30
Elite Material Co. (2383.TW)	O (09/14/2026)	NT$5,070.00
FIT Hon Teng Ltd (6088.HK)	O (11/03/2025)	HK$3.71
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb48.85
Giga-Byte Technology Co. Ltd. (2376.TW)	E (11/16/2025)	NT$349.00
Gold Circuit Electronics Ltd. (2368.TW)	O (10/06/2022)	NT$1,115.00
Hon Hai Precision (2317.TW)	O (03/15/2024)	NT$245.00
Inspur Electronic Information (000977.SZ)	E (08/28/2023)	Rmb58.50
Kingboard Laminates Holdings Ltd. (1888.HK)	O (09/14/2026)	HK$37.70
LandMark Optoelectronics Corporation (3081.TWO)	E (03/26/2026)	NT$2,375.00
Lenovo (0992.HK)	O (07/10/2026)	HK$22.64
Lotes Co. Ltd. (3533.TW)	E (05/12/2025)	NT$1,795.00
Nan Ya PCB (8046.TW)	O (02/23/2026)	NT$1,265.00
Pegatron Corporation (4938.TW)	E (03/25/2026)	NT$103.50
Quanta Computer Inc. (2382.TW)	O (05/01/2023)	NT$322.00
Shengyi Technology Co Ltd. (600183.SS)	E (05/26/2022)	Rmb110.81
Shennan Circuits Co Ltd (002916.SZ)	E (08/24/2023)	Rmb282.98
Unimicron (3037.TW)	O (02/23/2026)	NT$1,085.00
Visual Photonics Epitaxy Co Ltd (2455.TW)	E (09/11/2023)	NT$467.00

Wistron Corporation (3231.TW)	O (07/12/2023)	NT$190.00
Wiwynn Corp (6669.TW)	O (11/10/2025)	NT$1,840.00
Yageo Corp. (2327.TW)	O (10/28/2025)	NT$507.00
Zhen Ding (4958.TW)	++	NT$567.00
Irene Yen		
Co-Tech Development Corp. (8358.TWO)	O (09/14/2026)	NT$438.50
Taiwan Union Technology Corporation (6274.TWO)	O (09/14/2026)	NT$1,420.00

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